

eGames Announces First Quarter Fiscal 2009 Financial Results

Langhorne, Pa., – November 24, 2008 – eGames, Inc. (Pink Sheets: EGAM), a developer and publisher of games for the PC, game consoles and the Internet, today released financial results for its fiscal first quarter ended September 30, 2008.

COMMENTS:

Commenting on the fiscal 2009 first quarter results, Jerry Klein, President and CEO of eGames said, “While we are disappointed to report another quarterly loss as we begin fiscal 2009, the loss is because we have continued to increase our investment spending in the development of new titles to expand our portfolio of games for the PC and other popular gaming platforms and spending on continuing improvements to www.egames.com. So far our revenues have not increased sufficiently to yield enough profit to offset our increased spending. Soon we will be releasing *Puzzle City*® and *Burger Island*® on the very popular Nintendo DS platform, which will be our first titles released on a platform other than the PC or the Internet. *Burger Island* on the Nintendo Wii will follow soon after Christmas along with a variety of *Burger Island* mini-games for the Apple iPhone. During December, we hope to release *Satisfashion*™ as an exclusive on the major Internet gaming portal “www.bigfishgames.com” and then *Burger Island 2:The Missing Ingredient* on all the leading Internet game portals including www.egames.com soon after the release of *Satisfashion*. We have high expectations for all of our new products and especially for both *Satisfashion* and *Burger Island 2:The Missing Ingredient*.”

“Casual gamers today are seeking games with compelling storylines, memorable and popular characters, appealing and pleasing visual graphics and sounds culminating in great game play. Consistently meeting those requirements is a challenge but one that we believe we are increasingly capable of meeting and even exceeding. We realize we must demonstrate our capability to create and publish great top selling games in fiscal 2009 so we can seek and obtain more customers, sell more products, increase revenues, and achieve profitability and positive cash flows. Development of our proprietary titles, like those mentioned above and others yet to come, will hopefully create the opportunities to increase our net revenues, and ultimately enable us to achieve profitability and positive cash flows. Those remain our challenges and expectations in fiscal 2009. Despite the current economic climate we remain optimistic about our plans for the remainder of the year,” Klein said.

FINANCIAL DISCUSSION:

Fiscal First Quarter ended September 30, 2008 – Financial Summary:

Net revenues increased by \$183,000, or 26.1%, to \$884,000 for the fiscal quarter ended September 30, 2008, compared to \$701,000 for the comparative fiscal quarter a year ago. The \$183,000 increase in net revenues resulted from a \$95,000 increase in licensing revenues (related to international and North American distribution of our internally developed proprietary titles) combined with a \$93,000 increase in Internet revenues traceable to greater revenues generated by installations of our eGames toolbar (available on all eGames published game titles) and increased sales of various popular casual games offered on our website www.egames.com.

Net loss was \$460,000, or \$0.04 per diluted share, for the fiscal quarter ended September 30, 2008, compared to a net loss of \$328,000, or \$0.03 per diluted share, for the comparative fiscal quarter a year earlier. This \$132,000 increase in our net loss for the quarter ended September 30, 2008 was due to a \$197,000 increase in operating expenses, which was partially offset by a \$65,000 increase in gross profit generated from the combination of higher net revenues and a 5.1% lower gross profit margin.

The \$197,000 increase in operating expenses related to:

- \$145,000 in increased product development costs incurred to develop additional company owned proprietary titles for the PC, Nintendo DS and Wii game platforms with worldwide rights for retail and Internet distribution as well as international licensing opportunities; and a
- \$52,000 increase in other operating expenses such as consulting and salary related costs for our sales and legal functions.

The 5.1% gross profit margin decline related to a 9.4% increase in royalty costs, as a percentage of net revenues, attributable to higher contractual and effective royalty rates on the game titles sold during the current quarter. Partially offsetting this increase in the royalty cost percentage was a decrease in our product cost, as a percentage of net revenues, due to a greater proportion of our revenues coming from licensing and internet revenues that have no associated product costs.

The following table represents eGames' net revenues by distribution channel for the fiscal quarters ended September 30, 2008 and 2007, respectively:

Net Revenues by Distribution Channel
(rounded to the nearest thousand)

| Distribution Channel | Quarters Ended September 30, | | | | Increase (Decrease) | % Change |
|------------------------------|---|--------------------|--------------------------|--------------------|--------------------------------|---------------------|
| | 2008 | % | 2007 | % | | |
| Traditional product revenues | \$ 471,000 | 53% | \$ 496,000 | 71% | (\$ 25,000) | (5%) |
| Licensing revenues | 154,000 | 18% | 59,000 | 8% | 95,000 | 161% |
| Internet revenues | 224,000 | 25% | 131,000 | 19% | 93,000 | 71% |
| Liquidation product revenues | 35,000 | 4% | 15,000 | 2% | 20,000 | 133% |
| Totals | <u>\$ 884,000</u> | <u>100%</u> | <u>\$ 701,000</u> | <u>100%</u> | <u>\$ 183,000</u> | <u>26%</u> |

Liquidity Condition:

At September 30, 2008, eGames had \$591,000 in cash compared to \$874,000 in cash at June 30, 2008. Additionally, our net working capital (current assets minus current liabilities) decreased to \$482,000 compared to \$938,000 at June 30, 2008. Considering our net losses for the most recent quarter and for fiscal years 2008, 2007 and 2006, and the fact that we do not currently have access to a credit facility, we are continuing to evaluate our options to fund future operations if eGames does not become cash flow positive from operations during the upcoming quarters.

eGames, Inc.
Balance Sheets

| <u>ASSETS</u> | As of September 30, 2008 | As of June 30, 2008 |
|--|---|------------------------------------|
| | <hr/> | <hr/> |
| Current assets: | | |
| Cash and cash equivalents | \$ 590,569 | \$ 874,188 |
| Accounts receivable, net | 400,431 | 467,506 |
| Inventory, net | 603,740 | 590,601 |
| Prepaid and other expenses | 221,038 | 284,380 |
| Total current assets | <hr/> 1,815,778 | <hr/> 2,216,675 |
| Furniture and equipment, net | 36,941 | 27,548 |
| Intangible assets | 444,089 | 444,089 |
| Total assets | <u>\$ 2,296,808</u> | <u>\$ 2,688,312</u> |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 566,318 | \$ 591,494 |
| Unearned revenues | 319,788 | 248,454 |
| Accrued expenses | 447,957 | 439,208 |
| Total current liabilities | <hr/> 1,334,063 | <hr/> 1,279,156 |
| Stockholders' equity: | | |
| Convertible preferred stock | 704,568 | 704,568 |
| Common stock | 9,179,827 | 9,179,827 |
| Additional paid-in capital | 2,486,793 | 2,462,406 |
| Accumulated deficit | (10,855,506) | (10,384,708) |
| Treasury stock, as cost | (552,937) | (552,937) |
| Total stockholders' equity | <hr/> 962,745 | <hr/> 1,409,156 |
| Total liabilities and stockholders' equity | <u>\$ 2,296,808</u> | <u>\$ 2,688,312</u> |

eGames, Inc.
Statements of Operations

| | Quarters Ended September 30, | |
|---|---|----------------------------|
| | 2008 | 2007 |
| Net revenues | \$ 883,732 | \$ 701,333 |
| Cost of revenues | <u>394,871</u> | <u>277,625</u> |
| Gross profit | 488,861 | 423,708 |
| Operating expenses: | | |
| Product development | 455,744 | 310,810 |
| Selling, general and administrative | <u>493,783</u> | <u>442,541</u> |
| Total operating expenses | <u>949,527</u> | <u>753,351</u> |
| Operating loss | (460,666) | (329,643) |
| Interest income, net | <u>805</u> | <u>1,205</u> |
| Loss before income taxes | (459,861) | (328,438) |
| Income taxes | <u>- 0 -</u> | <u>- 0 -</u> |
| Net loss | <u>(\$ 459,861)</u> | <u>(\$ 328,438)</u> |
| Net loss per common share: | | |
| - Basic | <u>(\$ 0.04)</u> | <u>(\$ 0.03)</u> |
| - Diluted | <u>(\$ 0.04)</u> | <u>(\$ 0.03)</u> |
| Weighted average common shares outstanding – Basic | 11,957,193 | 11,759,494 |
| Dilutive effect of common share equivalents | <u>- 0 -</u> | <u>- 0 -</u> |
| Weighted average common shares outstanding - Diluted | <u>11,957,193</u> | <u>11,759,494</u> |

eGames, Inc.
Statements of Cash Flows

| | Three Months Ended September 30, | |
|--|---|-------------------|
| | 2008 | 2007 |
| <u>OPERATING ACTIVITIES:</u> | | |
| Net loss | (\$ 459,861) | (\$ 328,438) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation | 34,086 | 19,092 |
| Depreciation and amortization | 5,246 | 4,386 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 67,075 | (49,891) |
| Inventory, net | (13,139) | 12,683 |
| Prepaid and other expenses | 53,644 | (25,627) |
| Accounts payable | (4,637) | 65,050 |
| Unearned revenues | 71,334 | 25,000 |
| Accrued expenses | 8,749 | (24,215) |
| Net cash used in operating activities | (237,503) | (301,960) |
| <u>INVESTING ACTIVITIES:</u> | | |
| Purchase of furniture and equipment | (14,639) | - 0 - |
| Net cash used in investing activities | (14,639) | - 0 - |
| <u>FINANCING ACTIVITIES:</u> | | |
| Net disbursements from issuance of preferred stock | (20,769) | - 0 - |
| Dividend payments to preferred stockholders | (10,708) | - 0 - |
| Proceeds from stock option exercises | - 0 - | 7,230 |
| Net cash (used in) provided by financing activities | (31,477) | 7,230 |
| Net decrease in cash and cash equivalents | (283,619) | (294,730) |
| Cash and cash equivalents: | | |
| Beginning of period | 874,188 | 644,524 |
| End of period | \$ 590,569 | \$ 349,794 |

eGames, Inc.
Statements of Stockholders' Equity

| | Convertible Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Treasury Stock | | Stockholders' Equity |
|---|-----------------------------|-------------------|-------------------|---------------------|----------------------------|------------------------|------------------|---------------------|----------------------|
| | Shares | Amount | Shares | Amount | | | Shares | Amount | |
| Balances at June 30, 2007 | <u>- 0 -</u> | <u>\$ - 0 -</u> | <u>11,956,093</u> | <u>\$ 9,179,827</u> | <u>\$ 2,205,242</u> | <u>(\$ 9,467,234)</u> | <u>(231,900)</u> | <u>(\$ 501,417)</u> | <u>\$ 1,416,418</u> |
| Net loss | | | | | | (902,250) | | | (902,250) |
| Shares issued and retired in connection with stock option exercises | | | 95,000 | | 58,750 | | (46,000) | (51,520) | 7,230 |
| Common stock options issued to employees and directors | | | | | 79,585 | | | | 79,585 |
| Shares issued in connection with consulting agreement | | | 60,000 | | 38,792 | | | | 38,792 |
| Shares issued in connection with preferred stock offering | 875,000 | 875,000 | | | | | | | 875,000 |
| Costs incurred and common stock shares and warrant issued in connection with preferred stock offering | | (170,432) | 124,000 | | 80,037 | | | | (90,395) |
| Dividends declared on preferred stock | | | | | | (15,223) | | | (15,223) |
| Rounding | | | | | | (1) | | | (1) |
| Balances at June 30, 2008 | <u>875,000</u> | <u>\$ 704,568</u> | <u>12,235,093</u> | <u>\$ 9,179,827</u> | <u>\$ 2,462,406</u> | <u>(\$ 10,384,708)</u> | <u>(277,900)</u> | <u>(\$ 552,937)</u> | <u>\$ 1,409,156</u> |
| Net loss | | | | | | (459,861) | | | (459,861) |
| Common stock options issued to employees and directors | | | | | 24,387 | | | | 24,387 |
| Dividends declared on preferred stock | | | | | | (10,938) | | | (10,938) |
| Rounding | | | | | | 1 | | | 1 |
| Balances at September 30, 2008 | <u>875,000</u> | <u>\$ 704,568</u> | <u>12,235,093</u> | <u>\$ 9,179,827</u> | <u>\$ 2,486,793</u> | <u>(\$ 10,855,506)</u> | <u>(277,900)</u> | <u>(\$ 552,937)</u> | <u>\$ 962,745</u> |

About eGames, Inc.

eGames, Inc., headquartered in Langhorne, Pennsylvania, develops and publishes games for the PC, game consoles and the Internet which include the eGames(tm), Cinemaware® and Cinemaware Marquee® brands. Additional information regarding eGames, Inc. can be found at <http://www.egames.com>.

Accessing Our Financial Information

Shareholders have three ways to access our financial and other information: by going to the Investor Relations page of the eGames website at www.egames.com, where shareholders can access our annual reports for fiscal 2008 and 2007, as well as press releases containing quarterly financial information for fiscal 2009, 2008 and 2007; by going to the Pink Sheets website at www.pinksheets.com and typing in our symbol "EGAM"; or by requesting a paper copy of financial information by contacting us by mail at eGames, Inc., 2000 Cabot Boulevard West, Suite 110, Langhorne, Pennsylvania 19047 to the attention of the Chief Financial Officer. Shareholders can also be placed on a list to receive press releases, as they are issued, via email by going to the following link on the eGames investor relations webpage: <http://www.egamesonline.com/egames/investors/alert.asp>.

Forward-Looking Statement Safe Harbor

This press release contains certain forward-looking statements, including without limitation, statements regarding: the upcoming release of Puzzle City and Burger Island on the Nintendo DS platform, Burger Island on the Nintendo Wii and Burger Island mini-games for the Apple iPhone; the release of Satisfashion as a Big Fish Games exclusive on the Internet; the release of Burger Island 2: The Missing Ingredient on all the leading Internet game portals soon after the release of Satisfashion; our plans to create and publish top selling games in fiscal 2009 so we can seek and obtain more customers, sell more products, increase revenues, and achieve profitability and positive cash flows. eGames cautions readers that the risks and uncertainties that may affect our future results and performance include, but are not limited to, delays in the development and release of future titles; inability to fund continued development of future titles; technical and other issues that may delay or halt development of future titles; the failure of new titles to sell well or achieve retail placement; our inability to enter into and maintain commercially successful publishing, licensing and distribution relationships; declines in overall market conditions and retail store traffic in particular; and an increase in competition; as well as the risks and uncertainties discussed under the heading "Factors Affecting Future Performance" in our Annual Report for the fiscal year ended June 30, 2008 as posted on the Company's website and on www.pinksheets.com.

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